

2008 annual report



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Chairman's report

For year ending 30 June 2008

It gives me great pleasure to present my first Chairman's Report for Broadwater Financial Services Limited in our seventh year of operation. Financially the Company has had a record year with revenue up more than 12 per cent to \$584,664 and posting a net profit of \$74,730 after income tax expense. In a difficult trading year for our Company, this was an outstanding result and I congratulate all Board members for their commitment and ability to make difficult decisions when required. Our cash position is very strong and will ensure that we have a solid base to expand our operations in the coming years.

Our banking operations at the Biggera Waters branch proved to be a challenging time during the year, mainly in the area of staff. Our Branch Manager who commenced last July departed our Company in early 2008. We also endured a high staff turnover which put added pressure on existing staff during this time and I must acknowledge our Customer Services Supervisor, Marissa Ucchino, for her commitment and willingness to work beyond the call of duty. I must also thank the Bendigo Bank State Support for their assistance in manning the branch with quality seconded staff during this time.

On a positive note, I can report that prior to the end of the financial year we recruited a very competent, young and energetic team to grow the banking business in the coming year. This team is lead by our new Branch Manager, Mark Vigus, who joined us in late June 2008. Mark was born in Bendigo and has worked for Bendigo Bank since commencing his career and has already achieved significant business growth for the branch. We as a Board are confident that he will continue to grow the business, even in the challenging financial market that we face.

As your Directors, we are mindful of our entrusted responsibilities, including planning for business growth and providing a return on the investment that you have made in Broadwater Financial Services Limited. To this end I am pleased to announce that the Board of Directors has approved a dividend of 8 cents per share which will be paid within the next few months. With this dividend the Company has now returned a total of 20 cents per share on the original investment of \$1.00. (Refer table below) We look forward to continuing to provide a steady dividend flow in the coming years.

Financial Year	Cents per Share	Total Distribution
2006/2007	5 Cents	22,201
2007/2008	7 Cents	31,082
2008/2009	8 Cents	35,522

This year the Company increased its support for the local community and in total returned in excess of \$15,000 of our branch profits to local groups and organisations. This money was distributed across a variety of areas including local schools, aged care, sporting clubs and community businesses. The major investments were the purchase of a scooter for a local resident requiring mobility, and sponsorship of Labrador AFL Club and Helensvale Golf Club. During the coming years we intend to increase our grants to the local community and are currently considering several community projects in our area which will increase our exposure and therefore provide awareness of our commitment to return a percentage of our **Community Bank**[®] branch profits to the community.

Chairman's report continued

During the year we have appointed two new Directors to the Board, Mr Trevor Jones and Mr Adam Bell, who bring with them a variety of business experience. We now have a very talented and energetic Board of seven people who are committed to progressing the Company to the next stage of development that will see us as the leader in supporting the community in our local area. We have also appointed a personal assistant to the Board, Mrs Maris Dirx, who will attend to the communication, compliance, co-ordination and secretarial aspects of the business.

Finally I wish to thank all our customers, community organisations and local business owners for their support during the year. I would also like to extend my gratitude, appreciation and thanks to my fellow Directors who provide their time and professional advice for little or no reward. I would particularly like to thank the previous Chairman, Mr Robert Purcell, who retired during the year, for his guidance and tenacity during the early formative years of the Company. We wish him good health and happiness in his retirement.

In closing, I again thank all shareholders for their continued support and look forward to guiding the Company to greater growth, profitability and community involvement with our strong team of Directors and staff.



Robert J Knight

Chairman

Manager's report

For year ending 30 June 2008

I am pleased to present my first report for Broadwater Financial Services Limited and start with a note of thanks to all members of the Board and shareholders for their warm welcome as the new Branch Manager. My role commenced in June 2008 and it gives me great pleasure to comment on the financial year that was for Biggera Waters **Community Bank**[®] Branch.

The 2008 financial year was a challenging year for the branch with several staff changes at all levels and this, along with other factors, made the task of growing the banking business challenging. Lending failed to gain any momentum and as a result the total of the branch's banking business fell from the previous year's record of \$51 million to \$46 million at year end. There were 3,963 active customer accounts at 30 June 2008 - up from 3,873 at the previous year end.

On a positive note I can report that since the end of the financial year the branch has increased its banking business and is well on the way to restoring the growth that we have recorded in previous years. Account customers are increasing and the ATM now has the highest number of transactions on the Gold Coast. I am confident that with the excellent team that we currently have at the branch and support and initiative from the Board, we will achieve our financial goals for the year. The current global financial upheaval and a decline in the economic outlook in Australia would be the only factors that could prevent us achieving these goals.

My background has been with the Bendigo Bank since my entry into the workforce several years ago, where I worked in Bendigo, Victoria. I have worked in all facets of the Bank including retail banking, the Bendigo Call Centre and many individual branches as a Customer Service Officer and Customer Relations Officer. I intend to engage the community and business in the local area with the ultimate view to attract their business to our branch using the Bendigo Bank philosophy of community involvement and participation. I am pleased to report that the Board have already been very proactive in supporting my ideas to engage businesses and the community.

I am privileged to have a very motivated and energetic staff to work with. Marissa Uchino, our Customer Services Supervisor, has had many years experience with Bendigo Bank and is the longest serving employee at the Biggera Waters **Community Bank**[®] Branch. Rhys Young and Leonie Campbell are our full time Customer Service Officers (CSOs) and Caren Hilton and Meg Knobel are part time CSOs. I believe that leadership is the cornerstone of a very successful business and my plan is to play an active role in staff development and the growth of their careers.

Finally, I encourage all shareholders who do not already bank with us to visit the branch and share the friendly attitude and enthusiasm of the staff that all customers and Board members have come to experience on a regular basis.



Mark Vigus

Branch Manager

Directors' report

For year ending 30 June 2008

Your Directors present their report on the Company for the year ended 30 June 2008.

Directors

The names and details of the Company's Directors who held office during or since the end of the financial year are:

Robert J Knight

Chairman

Occupation: Real Estate Licensee & Business Broker

Experience and expertise:

Former Chartered Accountant

Former Financial Controller & Company Secretary

Ian L Hamilton

Secretary

Occupation: Business Manager

Experience and expertise:

Manager of Anglican Parish - Gold Coast North

Former Manager Biggera Waters **Community Bank**[®]

Stephen M O'Donoghue

Director

Occupation: Pharmacist

Experience and expertise:

Local Pharmacist

Resident of Northern Gold Coast for 18 years

Leo S Beutel

Director

Occupation: Retired Area Manager

Experience and expertise:

Retired Area Manager Hardy Wine Company

Former Boxing Host & Announcer

Patricia M Bowden

Director

Occupation: Business Owner & Director

Experience and expertise:

Owner Shade Sail Business and Airstrip

Aged Care & Qld Cancer Fund volunteer

Resident of Northern Gold Coast for 25 years

Trevor N Jones

Director (Appointed 25 June 2008)

Occupation: Real Estate Sales Manager

Experience and expertise:

Former Finance Broker & Business Owner

Resident of Gold Coast for 22 years

Adam C Bell

Director (Appointed 25 June 2008)

Occupation: Business Owner & Director

Experience and expertise:

Professional Recruitment Agency Owner

Resident of Gold Coast for 8 years

Robert D Purcell

Director (Resigned 21 December, 2007)

Occupation: Retired Managing Director

Experience and expertise:

Former General Manager Advance Bank Ltd

Former Managing Director Sunstate Mortgage Corporation Pty Ltd

Christopher J Wheeldon

Director (Resigned 25 June 2008)

Occupation: Business Owner & Director

Experience and expertise:

Director of Family Trucking Business

Owner of Performance Vehicle business

Resident of Northern Gold Coast for 31 years

Don A Logan

Director (Resigned 18 July 2007)

Occupation: Retired Manager

Experience and expertise:

Manager of Mission Australia Employment

Services at Biggera Waters

Resident for 15 years

Directors' report continued

John David Hogan

Director (Resigned 22 August 2007)

Occupation: Retired Magistrate & JP

Experience and expertise:

Retired Stipendiary Magistrate

Resident of area for 43 years

Directors were in office for this entire year unless otherwise stated.

No Directors have material interests in contracts or proposed contracts with the Company.

Company Secretary

Robert Knight held the position of Company Secretary until 30 January 2008. On this date, Ian Hamilton was appointed Company Secretary and his experience includes being a Business Manager and former Bank Manager.

Principal activities

The principal activities of the Company during the course of the financial year were in providing **Community Bank**[®] services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

There has been no significant changes in the nature of these activities during the year.

Operating results

Operations have continued to perform in line with expectations. The profit after tax of the Company for the financial year was:

	Year ended 30 June 2008	Year ended 30 June 2007
	\$	\$
	74,730	165

Dividends

	Year Ended 30 June 2008	
	Cents Per Share	\$
Dividends paid in the year:		
- unfranked dividen	7	31,082

Remuneration report

Except for Ian Hamilton and Robert Knight all Directors of the Company are on a voluntary basis, therefore no remuneration guidelines have been prepared.

Ian Hamilton, Director was employed by Broadwater Financial Services Limited as Branch Manager and as such was remunerated for his services in this capacity. Ian has since resigned from the position of Branch Manager however his remuneration for his time employed by Broadwater Financial Services Limited between 1 July 2007 and 31 July 2007 included gross salary of \$14,822 plus employer sponsored superannuation.

Directors' report continued

During the year the Board resolved to pay Robert Knight \$2,000 for services performed in his role as 'Executive Chairman'. During the 2008 financial year Robert was paid a total of \$2,000 (2007: nil) for Director remuneration.

No other Director of the Company receives any remuneration for services provided as Director to the Company.

Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report.

Likely developments

The Company will continue its policy of providing banking services to the community.

Significant events after the balance date

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company, in future years.

Environmental regulation

The Company is not subject to any significant environmental regulation.

Directors' benefits

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

Indemnification and insurance of Directors and officers

The Company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the Company or related body corporate) that may arise from their position as Directors or Managers of the Company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The Company has not provided any insurance for an Auditor of the Company or a related body corporate.

Directors meetings

The number of Directors meetings attended by each of the Directors of the Company during the year were:

Directors' report continued

Number of meetings held:

13

	Eligible to attend	Number attended
Robert J Knight	13	12
Ian L Hamilton	13	12
Stephen M O'Donoghue	13	12
Leo S Beutel	13	13
Patricia M Bowden	13	10
Trevor N Jones (Appointed 25 June 2008)	1	1
Adam C Bell (Appointed 25 June 2008)	1	1
Robert D Purcell (Resigned 21 December 2007)	6	6
Christopher J Wheeldon (Resigned 25 June 2008)	12	8
Don A Logan (Resigned 18 July 2007)	1	1
John D Hogan (Resigned 22 August 2007)	2	1

Corporate governance

The Company has implemented various corporate governance practices, which include:

- (a) Director approval of operating budgets and monitoring of progress against these budgets;
- (b) Ongoing Director training; and
- (c) Monthly Director meetings to discuss performance and strategic plans.

Directors' report continued

Auditor independence declaration

The Directors received the following declaration from the Auditor of the Company:

Richmond Sinnott & Delahunty

Chartered Accountants



172 McIvor Road
PO Box 30
Bendigo. 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: rsd@rsdadvisors.com.au

Auditor's independence declaration

In relation to our audit of the financial report of Broadwater Financial Services Limited for the financial year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the Auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott

Partner

Richmond Sinnott & Delahunty

26 September 2008

Signed in accordance with a resolution of the Board of Directors at Biggera Waters, Queensland on 26 September 2008.

Chairman - Robert J Knight

Financial statements

Income statement For year ending 30 June 2008

	Notes	2008 \$	2007 \$
Revenue from ordinary activities	2	584,664	518,050
Employee benefit expense	3	(253,941)	(263,111)
Charitable donations and sponsorship		(13,656)	(778)
Depreciation and amortisation expense	3	(9,010)	(15,248)
Occupancy and associated costs		(81,985)	(74,642)
Systems costs		(26,249)	(25,788)
General administration expenses		(92,209)	(136,231)
Profit before income tax expense		107,614	2,252
Income tax expense	4	32,884	2,087
Profit after income tax expense		74,730	165
Earnings per share (cents per share)			
- Basic for profit for the year	21	16.83	0.04
- Diluted for profit for the year	21	16.83	0.04
- Dividends paid or provided for per share	20	7.00	-

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet As at 30 June 2008

	Notes	2008 \$	2007 \$
Current assets			
Cash assets	5	205,580	136,817
Receivables	6	40,223	41,724
Total current assets		245,803	178,541
Non-current assets			
Property, plant and equipment	7	141,203	133,078
Deferred income tax asset	4	127	5,583
Intangibles	8	6,667	8,667
Total non-current assets		147,997	147,328
Total assets		393,800	325,869
Current liabilities			
Payables	9	25,793	14,404
Current tax liability	4	27,428	-
Provisions	10	1,414	15,948
Total current liabilities		54,635	30,352
Total liabilities		54,635	30,352
Net assets		339,165	295,517
Equity			
Share capital	11	406,858	406,858
Accumulated losses	12	(67,693)	(111,341)
Total equity		339,165	295,517

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows As at 30 June 2008

	Notes	2008 \$	2007 \$
Cash flows from operating activities			
Cash receipts in the course of operations		639,935	556,978
Cash payments in the course of operations		(529,983)	(565,156)
Interest received		5,028	7,471
Interest paid		-	(27)
Net cash flows from operating activities	13 (b)	114,980	(734)
Cash flows from investing activities			
Payments for property, plant and equipment		(15,135)	-
Payment for intangible assets		-	(10,000)
Net cash flows used in investing activities		(15,135)	(10,000)
Cash flows from financing activities			
Dividends paid		(31,082)	(22,201)
Net cash outflows from financing activities		(31,082)	(22,201)
Net increase in cash held		68,763	(32,935)
Cash at the beginning of the financial year		136,817	169,752
Cash at the end of the financial year	13 (a)	205,580	136,817

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity As at 30 June 2008

	Notes	2008 \$	2007 \$
Share capital			
Balance at start of year		406,858	406,858
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		406,858	406,858
Retained earnings/(accumulated losses)			
Balance at start of year		(111,341)	(111,506)
Profit after income tax expense		74,730	165
Dividends paid or provided for		(31,082)	-
Balance at end of year		(67,693)	(111,341)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2008

Note 1. Basis of preparation of the financial report

(a) Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs (except for land and buildings and available-for-sale financial assets that have been measured at fair value) and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report was authorised for issue by the Directors on 26 September 2008.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2007 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Class of asset	Depreciation rate
Leasehold improvements	2.5 - 20%
Plant & equipment	5 - 40%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the cash flow statement on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Employee benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

The Company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

Cash

Cash on hand and in banks are stated at nominal value.

For the purposes of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Comparative figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Interest bearing liabilities

All loans are measured at the principal amount. Interest is recognised as an expense as it accrues.

Contributed capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

	2008 \$	2007 \$
Note 2. Revenue from ordinary activities		
Operating activities		
- services commissions	573,524	510,579
Total revenue from operating activities	573,524	510,579
Non-operating activities		
- interest received	7,672	7,471
- other revenue	3,468	-
Total revenue from non-operating activities	11,140	7,471
Total revenue from ordinary activities	584,664	518,050

Note 3. Expenses

Employee benefits expense

- wages and salaries	211,258	219,546
- superannuation costs	16,338	21,785
- workers' compensation costs	608	530
- other costs	25,737	21,250
	253,941	263,111
Depreciation of non-current assets:		
- leasehold improvements	4,088	3,461
- plant & equipment	2,922	2,919

Notes to the financial statements continued

	2008 \$	2007 \$
Note 3. Expenses (continued)		
Amortisation of non-current assets:		
- preliminary expenses	-	4,165
- intangibles	2,000	4,703
	9,010	15,248
Finance Costs:		
- Interest paid	-	27
Bad Debts	2,996	2,792
Note 4. Income tax expense		
The prima facie tax on profit/(loss) before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 30%	32,284	676
Add tax effect of:		
- Non-deductible expenses	600	1,411
- Timing differences	127	-
	33,011	2,087
Movement in deferred tax	(127)	-
Income tax expense	32,884	2,087
Deferred income tax asset		
- Opening Balance	5,583	7,670
Recoupment of prior year tax losses	(5,583)	(2,087)
Deferred tax on provisions	127	-
- Closing Balance	127	5,583
Tax liabilities		
Current tax payable	27,428	-

Notes to the financial statements continued

	2008 \$	2007 \$
Note 5. Cash assets		
Cash at bank and on hand	55,580	29,375
Term deposit	150,000	107,442
	205,580	136,817

Note 6. Receivables

Trade receivables	38,008	37,538
Prepayments	2,215	4,186
	40,223	41,724

Note 7. Property, plant and equipment

Leasehold improvements	150,755	137,220
Less: accumulated depreciation	(24,178)	(20,090)
Total written down amount	126,577	117,130
Plant & equipment		
At cost	33,420	31,820
Less: accumulated depreciation	(18,794)	(15,872)
Total written down amount	14,626	15,948
	141,203	133,078

Movements in carrying amounts:

Leasehold improvements		
Carrying amount at beginning	117,130	120,591
Additions	13,535	-
Less: depreciation expense	(4,088)	(3,461)
Carrying amount at end	126,577	117,130
Plant & equipment		
Carrying amount at beginning	15,948	18,867
Additions	1,600	-
Less: depreciation expense	(2,922)	(2,919)

Notes to the financial statements continued

	2008 \$	2007 \$
Note 7. Property, plant and equipment (continued)		
Carrying amount at end	14,626	15,948
	141,203	133,078

Note 8. Intangible assets

Franchise fee		
At cost	60,000	60,000
Less: accumulated amortisation	(53,333)	(51,333)
	6,667	8,667

Note 9. Payables

Trade creditors	22,795	11,244
Accrued expenses	2,998	3,160
	25,793	14,404

Note 10. Provisions

Employee provisions	1,414	15,948
	1,414	15,948
Number of employees at year end	2	4

Note 11. Share capital

Ordinary shares fully paid of \$1 each	444,025	444,025
Less preliminary expenses	(37,167)	(37,167)
	406,858	406,858

Note 12. Retained earnings / (accumulated losses)

Balance at the beginning of the financial year	(111,341)	(111,506)
Net profit after income tax	74,730	165
Dividends paid or provided for	(31,082)	-
Balance at the end of the financial year	(67,693)	(111,341)

Notes to the financial statements continued

	2008 \$	2007 \$
Note 13. Cash flow statement		
(a) Reconciliation of cash		
Cash at bank and on hand	55,580	29,375
Term deposit	150,000	107,442
	205,580	136,817
(b) Reconciliation of profit after tax to net cash provided by operating activities		
Profit after income tax	74,730	165
Non cash items:		
- amortisation	2,000	8,868
- depreciation	7,010	6,380
Changes in assets and liabilities:		
- (increase)/decrease in receivables	1,501	(4,675)
- increase/(decrease) in payables	11,389	(14,857)
- increase/(decrease) in current tax payable	27,428	-
- increase/(decrease) in provisions	(14,534)	1,298
- (increase)/decrease in deferred income tax asset	5,456	2,087
Net cashflows provided by operating activities	114,980	(734)

Note 14. Auditors' remuneration

Amounts received or due and receivable by the Auditor of the Company for:

- Audit or review of the financial report of the Company	3,650	3,650
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Note 15. Director and related party disclosures

The names of Directors who have held office during the financial year are:

Robert J Knight

Ian L Hamilton

Stephen M O'Donoghue

Leo S Beutel

Notes to the financial statements continued

Note 15. Director and related party disclosures (continued)

Patricia M Bowden

Trevor N Jones (Appointed 25 June 2008)

Adam C Bell (Appointed 25 June 2008)

Robert D Purcell (Resigned 21 December 2007)

Christopher J Wheeldon (Resigned 25 June 2008)

Don A Logan (Resigned 18 July 2007)

John D Hogan (Resigned 22 August 2007)

No Director or related entity has entered into a material contract with the Company. No Director's fees have been paid as the positions are held on a voluntary basis.

Directors shareholdings	2008	2007
Robert J Knight	-	-
Ian L Hamilton	-	-
Stephen M O'Donoghue	30,000	30,000
Leo S Beutel	-	-
Patricia M Bowden	1,000	1,000
Trevor N Jones (Appointed 25 June 2008)	-	-
Adam C Bell (Appointed 25 June 2008)	-	-
Robert D Purcell (Resigned 21 December 2007)	5,000	5,000
Christopher J Wheeldon (Resigned 25 June 2008)	-	-
Don A Logan (Resigned 18 July 2007)	-	-
John D Hogan (Resigned 22 August 2007)	-	-

There was no movement in Directors shareholdings during the year.

Each share held has a paid up value of \$1 and is fully paid.

Note 16. Subsequent events

There have been no events after the end of the financial year that would materially affect the financial statements.

Note 17. Contingent liabilities

There were no contingent liabilities at the date of this report to affect the financial statements.

Notes to the financial statements continued

Note 18. Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity primarily operates in one geographic area being Biggera Waters & district, Queensland.

Note 19. Corporate information

Broadwater Financial Services Limited is a Company limited by shares incorporated in Australia.

The registered office and principal place of business is:

Registered office	Principal place of business
33 Hollywell Road	33 Hollywell Road
Biggera Waters QLD 4216	Biggera Waters QLD 4216

	2008	2007
	\$	\$
Note 20. Dividends paid or provided for on ordinary shares		
Dividends paid		
Unfranked dividends - 7 cents per share (2007: Nil)	31,082	-

Note 21. Earnings per share

Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Profit after income tax expense	74,730	165
Weighted average number of ordinary shares for basic and diluted earnings per share	444,025	444,025

Note 22. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

Notes to the financial statements continued

Note 22. Financial risk management (continued)

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the Balance Sheet and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2008	2007
	\$	\$
Cash assets	205,580	136,817
Trade receivables	38,008	37,538
	243,588	174,355

The Company's exposure to credit risk is limited to Australia by geographic area. The entire balance of receivables is due from Bendigo and Adelaide Bank Limited.

None of the assets of the Company are past due (2007: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Limited.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the Company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

Notes to the financial statements continued

Note 22. Financial risk management (continued)

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	over 1 to 5 years \$	more than 5 years \$
30 June 2008					
Payables	25,793	(25,793)	(25,793)	-	-
	25,793	(25,793)	(25,793)	-	-
30 June 2007					
Payables	14,404	(14,404)	(14,404)	-	-
	14,404	(14,404)	(14,404)	-	-

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Interest rate risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular Board meetings.

Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying amount	
	2008 \$	2007 \$
Fixed rate instruments		
Financial assets	150,000	107,442
Financial liabilities	-	-
	150,000	107,442
Variable rate instruments		
Financial assets	55,580	29,375
Financial liabilities	-	-
	55,580	29,375

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Notes to the financial statements continued

Note 22. Financial risk management (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2007 there was also no impact. As at both dates this assumes all other variables remain constant.

(d) Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Balance Sheet. The Company does not have any unrecognised financial instruments at year end.

(e) Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Balance Sheet.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

(i) the Distribution Limit is the greater of:

- (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2008 can be seen in the Income Statement.

There were no changes in the Company's approach to capital management during the year.

Director's declaration

In the Directors opinion:

- (1) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards the Corporations Regulations 2001; and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's financial position as at 30 June 2008 and of its performance as represented by the results of its operations and its cash flows for the financial year ended on that date; and
- (2) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board:



Chairman - Robert J Knight

Signed at Biggera Waters on 26 September 2008.

Independent audit report

Richmond Sinnott & Delahunty Chartered Accountants



INDEPENDENT AUDIT REPORT TO THE MEMBERS OF BROADWATER FINANCIAL SERVICES LIMITED

Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

SCOPE

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Broadwater Financial Services Limited, for the year ended 30 June 2008.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are established to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not established to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independent audit report continued

INDEPENDENCE

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION

In our opinion, the financial report of Broadwater Financial Services Limited is in accordance with:

- (a) the Corporations Act 2001 including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. Sinnott

W. J. SINNOTT
Partner
Bendigo

Date: 26 September 2008

Biggera Waters **Community Bank**[®] Branch
33 Hollywell Road, Biggera Waters QLD 4216
Phone: (07) 5537 6725

Franchisee: Broadwater Financial Services Limited
33 Hollywell Road, Biggera Waters QLD 4216
Phone: (07) 5537 6725
ACN 095 850 463

www.bendigobank.com.au

Bendigo and Adelaide Bank Limited, The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879. (KKQAR8004) (08/08)

